

## Message Text

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ORIGIN AID-05

INFO OCT-01 EUR-12 NEA-10 ISO-00 SS-15 EB-07 IO-13  
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FM SECSTATE WASHDC  
TO USDEL SECRETARY IMMEDIATE  
AMEMBASSY TEHRAN  
AMEMBASSY MADRID

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TO THE SECRETARY FROM GILLIGAN & KATZ,MADRID FOR ATHERTON

E.O. 11652:N/A

TAGS:EAGR EAID EFIN

SUBJECT: ACTION MEMORANDUM: INTERNATIONAL FUND FOR AGRI-  
CULTURAL DEVELOPMENT: RATIFICATION AND SITE

### 1. ISSUE FOR DECISION:

WHETHER YOU SHOULD RAISE WITH THE SHAH THE DESIRABILITY OF  
ACCELERATING RATIFICATION OF THE IFAD AGREEMENT AND DEFER-  
RING ANY DECISION ON THE PERMANENT HEADQUARTERS IN ORDER  
THAT THE FUND CAN BEGIN OPERATIONS ATAN EARLY DATE.

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### 2. BACKGROUND/ANALYSIS:

--THE U.S. AND IRAN ARE THE KEY MEMBERS IN CREATING THIS  
NEW BILLION DOLLAR FUND TO ASSIST DEVELOPING COUNTRIES  
IMPROVE FOOD PRODUCTION AND NUTRITION. THE U.S. HAS PLEDGED  
\$200 MILLION AND IRAN 125 MILLION. IRAN HAS ALSO PROPOSED

THAT THE FUND BE LOCATION TEHRAN AS OPPOSED TO ROME WHICH IS THE PREFERRED CHOICE OF THE OECD DONORS AND THE AGREED PROVISIONAL SITE UNDER THE ARTICLES OF AGREEMENT ESTABLISHING THE FUND.

--LAST JUNE THE FUND WAS SOME \$65 MILLION SHORT OF ITS \$1 BILLION TARGET LEVEL. SECRETARY KISSINGER APPEALED

DIRECTLY TO SHAH WHO INCREASED IRAN'S CONTRIBUTION BY \$20 MILLION TO MAKE ITS TOTAL PLEDGE \$125 MILLION. SAUDI ARABIA AND VENEZUELA CONTRIBUTED \$5 MILLION AND \$10 MILLION RESPECTIVELY WITH THE REMAINDER PROVIDED BY OECD COUNTRIES. TOTAL OPEC PLEDGES EQUALED \$435 MILLION AND OECD PLEDGES AMOUNTED TO \$576 MILLION.

-- FOR IFAD AGREEMENT TO COME IN FORCE, DONORS WHO HAVE PLEDGED A TOTAL OF \$750 MILLION MUST RATIFY AND DEPOSIT THEIR CONTRIBUTIONS WITHIN 30 DAYS OF RATIFICATION.

--ALL OF THE OTHER TECHNICAL AND PROCEDURAL MATTER ARE

PROGRESSING SATISFACTORILY SUCH THAT THE FUND COULD COMMENCE OPERATIONS THIS FALL IF THE AGREEMENT IS RATIFIED BY THE PRINCIPAL DONORS WITHIN THE NEXT FEW MONTHS.

--THE U.S. HAS OBTAINED CONGRESSIONAL APPROVAL TO RATIFY AND CONTRIBUTE THE FULL \$200 MILLION U.S. PLEDGE DESPITE STRONG DISAPPOINTMENT THAT THE TOTAL OPEC PLEDGES, AT \$435 MILLION, FELL SHORT OF THE 50/50 BASIS ORIGINALLY LIMITED OFFICIAL USE

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CONCEIVED TO MAKE THE FUND A TRULY JOINT UNDERTAKING BY THE TWO DONOR GROUPS.

--THE U.S. GOVERNMENT ANNOUNCED THAT IT WOULD DEPOSIT ITS INSTRUMENT OF RATIFICATION IN CONCERT WITH THE OTHER MAJOR DONORS. THE OECD COUNTRIES HAVE INDICATED THAT BY JUNE OR JULY MOST OF THEM WILL BE ABLE TO RATIFY THE AGREEMENT. AMONG THE OPEC COUNTRIES, ONLY LIBYA HAS SO FAR RATIFIED. HOWEVER, WE BELIEVE THAT IF IRAN RATIFIES, THE OTHER OPEC COUNTRIES WILL QUICKLY FOLLOW SUIT.

--THE ONE ISSUE THAT COULD STALL THE RATIFICATION PROCESS IS THE QUESTION OF THE PERMANENT HEADQUARTERS. ALTHOUGH SOME ELEMENTS WITHIN THE IRANIAN GOVERNMENT ARE REPORTED TO HAVE SERIOUS MISGIVINGS THAT THE PRESTIGE CONSIDERATIONS WARRANT THE EXPENSE OF HAVING THE HEADQUARTERS, THE IRANIAN ADVOCATES OF THE SITE HAVE OBTAINED THE SUPPORT OF OTHER OPEC MEMBERS IN EXCHANGE FOR UNANIMOUS OPEC SUPPORT FOR A SAUDI ARABIAN NATIONAL AS PRESIDENT OF THE

FUND.

--IF IRAN AND THE OTHER OPEC COUNTRIES INSIST OPEC GAIN BOTH THE PRESIDENCY AND A COMMITMENT TO TEHRAN AS THE PERMANENT SITE, EVEN THOUGH THE OECD DONORS HAVE PLEDGED 56 OF THE FUND'S RESOURCES, THEN IFAD WILL APPEAR TO BE AN "OPEC FUND".

--DURING THE CONGRESSIONAL CONSULTATIONS TO OBTAIN APPROVAL

OF THE AGREEMENT, THE ADMINISTRATION INDICATED THAT IT WOULD SEEK TO RESOLVE THE SITE ISSUE ON ITS TECHNICAL MERITS. ON THIS BASIS, ROME IS CLEARLY SUPERIOR BECAUSE OF THE AVAILABILITY OF EXISTING FACILITIES FOR LOGISTICAL SUPPORT AND BECAUSE OF THE PRESENCE OF THE FAO, ONE OF THE MAJOR INSTITUTIONS WITH WHICH IT IS AGREED THAT THE FUND WILL WORK IN ORDER TO AVOID HAVING A LARGE, DUPLICATED LIMITED OFFICIAL USE

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TIVE BUREAUCRACY.

--IN AN EFFORT TO ACCELERATE THE RATIFICATION PROCESS AND RESOLVE THE SITE ISSUE, THE U.S. HAS RECENTLY PRESENTED AN AIDE MEMOIRE TO THE GOVERNMENT OF IRAN IN WHICH IT WAS PROPOSED THAT ANY DECISION ON THE PERMANENT HEADQUARTERS BE DEFERRED UNTIL THE FUND HAS PROVED ITS EFFECTIVENESS AND A STUDY CAN BE CARRIED OUT TO DETERMINE THE RELATIVE COSTS AND BENEFITS OF ALTERNATIVE SITES.

--IF THE AIDE MEMOIRE HAS NOT RESOLVED THIS ISSUE, A CLEAR SIGNAL OF THE IMPORTANCE THE U.S. ATTACHES TO RAPID RATIFICATION AND A MUTUALLY ACCEPTABLE ACCOMMODATION ON THE HEADQUARTERS DISPUTE WOULD BE GIVEN BY RAISING THE SUBJECT DURING YOUR MEETING WITH THE SHAH.

### 3. RECOMMENDATION:

--IF BY THE TIME OF YOUR SCHEDULED MEETING WITH THE SHAH, THE IRANIAN GOVERNMENT HAS NOT GIVEN A POSITIVE RESPONSE TO THE AIDE MEMOIRE INDICATING GENERAL CONCURRENCE WITH THE U.S. POSITION, WE RECOMMEND THAT YOU RAISE THE IFAD ISSUE WITH THE SHAH AND SUGGEST THAT HE GIVE HIS SUPPORT TO ACCELERATING THE RATIFICATION PROCESS AND TO DEFERRING ANY DECISION ON THE PERMANENT SITE PENDING A STUDY OF THE RELATIVE MERITS OF THE ALTERNATIVE LOCATIONS THAT MAY BE PROPOSED.

APPROVE DISAPPROVE

STATE EB, IO AND AID CONCUR. STATE NEA BUREAU DOES NOT

OBJECT.

IF YOU AGREE, WE RECOMMEND THAT YOU DRAW ON THE FOLLOWING  
SUGGESTED TALKING POINTS.

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4. TALKING POINTS:

WE ENCOURAGE IRANIAN RATIFICATION OF THE AGREEMENT AS SOON  
AS POSSIBLE IN RECOGNITION THAT

--IT WAS AT YOUR IMPERIAL MAJESTY'S INITIATIVE THAT THE

CONCEPT FOR THE FUND WAS FIRST PUT FORWARD AT THE WORLD  
FOOD CONFERENCE AND THAT IRAN HAS PLAYED A MAJOR ROLE IN  
ESTABLISHING THE FUND WITH THE LARGEST SINGLE PLEDGE AMONG  
THE OPEC COUNTRIES.

--IFAD IS VIRTUALLY AT THE POINT AT WHICH IT CAN COMMENCE  
OPERATIONS. RATIFICATION BY THE TWO PRINCIPAL DONORS,  
IRAN AND THE U.S., WILL ENCOURAGE OTHER DONORS TO COMPLETE  
THE RATIFICATION PROCESS PERMITTING THE FUND TO BEGIN  
ITS URGENT TASK OF IMPROVING FOOD PRODUCTION AND NUTRITION  
IN THE POOR DEVELOPING COUNTRIES.

--WE APPRECIATE THE INTEREST OF EACH CANDIDATE, ROME AND  
PANAMA AND IN PARTICULAR THE GENEROUS OFFER OF THE IRANIAN  
GOVERNMENT OF TEHRAN FOR THE FUND'S PERMANENT HEADQUARTERS.

-- WE PROPOSE THAT TO AVOID ANY DELAYS THE FUND  
INITIATE ITS OPERATIONS IN ROME WHICH IS THE PROVISIONAL  
SITE UNDER THE ARTICLES OF AGREEMENT. THE GOVERNING  
COUNCIL OF THE FUND WOULD SET UP A SPECIAL COMMITTEE TO  
EVALUATE EACH SITE OFFERED AND MAKE RECOMMENDATIONS FOR  
THE FUND'S PERMANENT HEADQUARTERS BASED UPON ANALYSIS  
OF THE RESPECTIVE COSTS AND BENEFITS OF EACH SITE. CHRISTOPHER

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